

Return of Organization Exempt From Income Tax

2005

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2005 calendar year, or tax year beginning 7/01, 2005, and ending 6/30, 2006

- B** Check if applicable
- Address change
 - Name change
 - Initial return
 - Final return
 - Amended return
 - Application pending

Please use
IRS label
or print
or type.
See
specific
instruc-
tions.

Manhattan School of Music
120 Claremont Ave. #115
New York, NY 10027

D Employer Identification Number

13-1656667

E Telephone number

917-493-4563

F Accounting method:

Cash Accrual

Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations

H (a) Is this a group return for affiliates? Yes No

H (b) If 'Yes,' enter number of affiliates ▶

H (c) Are all affiliates included? Yes No

(If 'No,' attach a list. See instructions.)

H (d) Is this a separate return filed by an organization covered by a group ruling? Yes No

G Web site: ▶ msmnyc.edu

J Organization type (check only one)

501(c) 3 (insert no) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

I Group Exemption Number ▶

M Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ 29,601,922.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Instructions)

REVENUE

1 Contributions, gifts, grants, and similar amounts received:			
a Direct public support	1a	1,676,334.	
b Indirect public support	1b		
c Government contributions (grants)	1c	380,263.	
d Total (add lines 1a through 1c) (cash \$ <u>2,056,597.</u> noncash \$ _____)	1d	2,056,597.	
2 Program service revenue including government fees and contracts (from Part VII, line 93)	2	19,875,776.	
3 Membership dues and assessments	3		
4 Interest on savings and temporary cash investments	4	80,632.	
5 Dividends and interest from securities	5	459,562.	
6a Gross rents	6a		
b Less: rental expenses	6b		
c Net rental income or (loss) (subtract line 6b from line 6a)	6c		
7 Other investment income (describe _____)	7		
8a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other	
b Less: cost or other basis and sales expenses	8a	1,020,851.	
c Gain or (loss) (attach schedule)	8b		
d Net gain or (loss) (combine line 8c, columns (A) and (B))	8c	1,020,851.	
8d	8d	1,020,851.	
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>			
a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a		
b Less: direct expenses other than fundraising expenses	9b		
c Net income or (loss) from special events (subtract line 9b from line 9a)	9c		
10a Gross sales of inventory, less returns and allowances	10a	172,402.	
b Less: cost of goods sold	10b	135,614.	
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c	36,788.	
11 Other revenue (from Part VII, line 103)	11	5,936,102.	
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	29,466,308.	

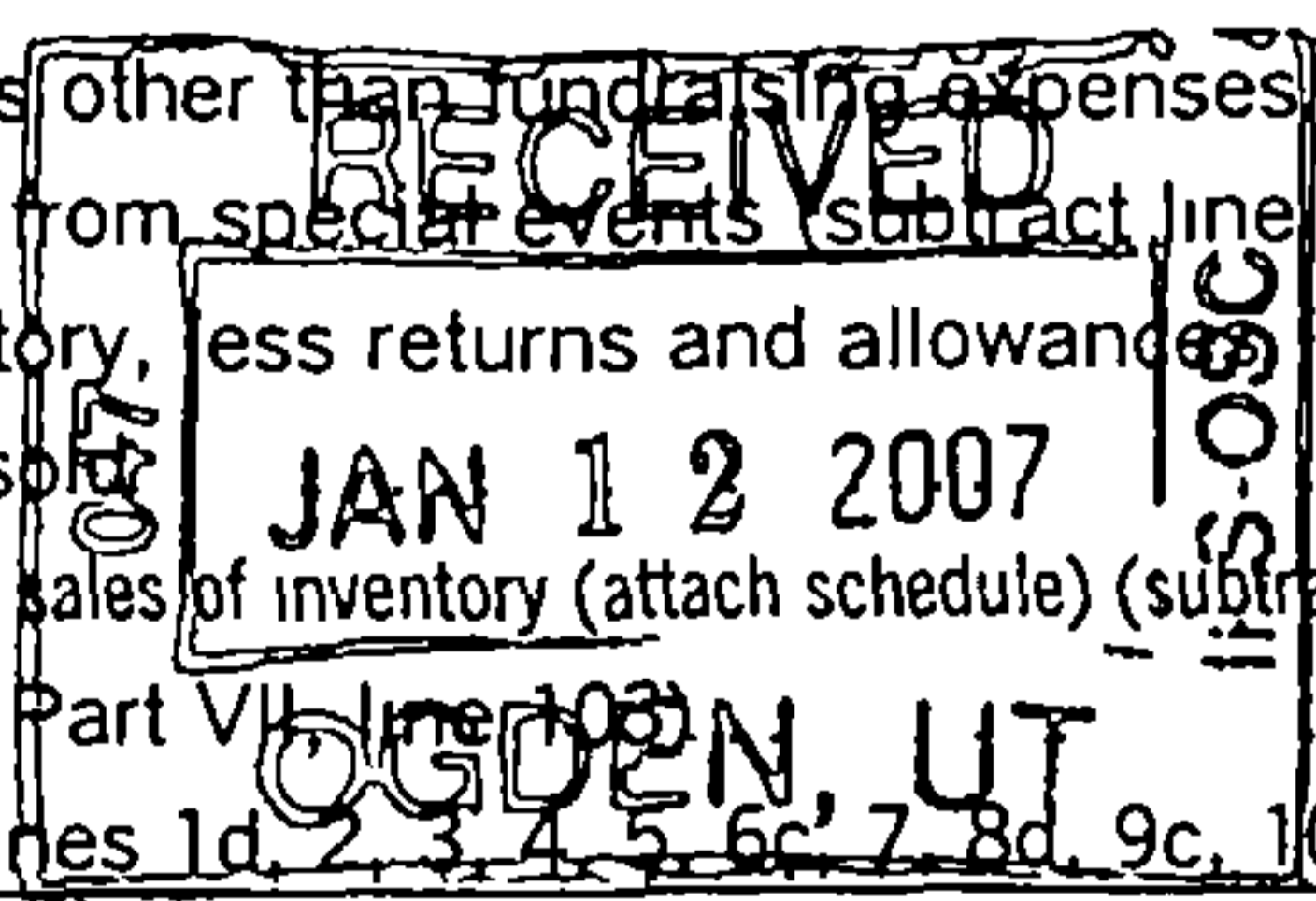
EXPENSES

13 Program services (from line 44, column (B))	13	24,139,051.
14 Management and general (from line 44, column (C))	14	3,539,726.
15 Fundraising (from line 44, column (D))	15	502,192.
16 Payments to affiliates (attach schedule)	16	
17 Total expenses (add lines 16 and 44, column (A))	17	28,180,969.

ASSETS

18 Excess or (deficit) for the year (subtract line 17 from line 12).	18	1,285,339.
19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	37,088,191.
20 Other changes in net assets or fund balances (attach explanation) See Statement 1	20	1,214,802.
21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	39,588,332.

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Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22				
23 Specific assistance to individuals (attach schedule)	23				
24 Benefits paid to or for members (attach schedule)	24				
25 Compensation of officers, directors, etc.	25	541,209	122,920	335,789	82,500
26 Other salaries and wages	26	13,294,429	11,959,506	1,157,603	177,320
27 Pension plan contributions	27	580,331	446,031	119,471	14,829
28 Other employee benefits	28	1,015,988	858,658	139,176	18,154
29 Payroll taxes	29	944,149	811,797	103,339	29,013
30 Professional fundraising fees	30	100,838			100,838
31 Accounting fees	31	109,482		109,482	
32 Legal fees	32	93,770		93,770	
33 Supplies	33	364,592	322,245	38,744	3,603
34 Telephone	34	165,744	165,744		
35 Postage and shipping	35	71,338	58,397	11,842	1,099
36 Occupancy	36	971,248	644,627	310,572	16,049
37 Equipment rental and maintenance	37	255,559	255,559		
38 Printing and publications	38	309,459	198,880	108,851	1,728
39 Travel	39	64,306	47,833	14,608	1,865
40 Conferences, conventions, and meetings	40	33,694	24,364	7,893	1,437
41 Interest	41	2,446,207	2,446,207		
42 Depreciation, depletion, etc. (attach schedule)	42	2,253,852	2,185,788	64,720	3,344
43 Other expenses not covered above (itemize):					
a Dormitory	43a	3,497,304	3,497,304		
b Campus store	43b	54,900	54,900		
c Investment expenses	43c	180,139		180,139	
d Cafeteria	43d	38,291	38,291		
e Insurance	43e	335,291		335,291	
f Credit card/payroll/software/search fees	43f	201,157		201,157	
g Ent/receptions/dues/advertising/misc	43g	257,692		207,279	50,413
44 Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	44	28,180,969	24,139,051	3,539,726	502,192

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;
 (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts, but optional for others)
a <u>Manhattan School of Music is a College Conservatory providing education to approximately (817) College students and (411) Precollege students</u> ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	24,139,501.
b ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
c ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
d ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
e Other program services (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	24,139,501.

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Part IV Balance Sheets (See Instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
ASSETS	45 Cash — non-interest-bearing	3,984,521.	45	7,265,727.
	46 Savings and temporary cash investments		46	
	47a Accounts receivable	47a		
	b Less: allowance for doubtful accounts	47b	47c	
	48a Pledges receivable	48a 2,520,302.		
	b Less: allowance for doubtful accounts	48b	48c	2,520,302.
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
	51a Other notes & loans receivable (attach sch)	51a 659,114.		
	b Less: allowance for doubtful accounts	51b	51c	659,114.
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	156,860.
	54 Investments — securities (attach schedule) See St. 3 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV		54	12,707,006.
	55a Investments — land, buildings, & equipment: basis	55a		
	b Less: accumulated depreciation (attach schedule)	55b	55c	
	56 Investments — other (attach schedule)		56	
	57a Land, buildings, and equipment: basis	57a 71,486,953.		
	b Less: accumulated depreciation (attach schedule) Statement 4	57b 12,602,780.	57c	58,884,173.
	58 Other assets (describe ▶ See Statement 5)		58	8,539,949.
59 Total assets (must equal line 74). Add lines 45 through 58		59	90,733,131.	
LIABILITIES	60 Accounts payable and accrued expenses	1,110,249.	60	1,291,983.
	61 Grants payable		61	
	62 Deferred revenue	911,705.	62	1,026,452.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)	46,635,000.	64a	45,720,000.
	b Mortgages and other notes payable (attach schedule) See Statement 6	3,716,436.	64b	1,669,874.
	65 Other liabilities (describe ▶ See Statement 7)	525,703.	65	1,436,490.
	66 Total liabilities. Add lines 60 through 65	52,899,093.	66	51,144,799.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	21,152,224.	67	23,132,138.
	68 Temporarily restricted	2,984,156.	68	3,207,627.
	69 Permanently restricted	12,951,811.	69	13,248,567.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)	37,088,191.	73	39,588,332.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	89,987,284.	74	90,733,131.

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Form 990 (2005)

Part VI Other Information (continued)		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
82 b	N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
83 b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
84 b	N/A		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		
85 a	N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
85 b	N/A		
	If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c	Dues, assessments, and similar amounts from members		
85 c	N/A		
d	Section 162(e) lobbying and political expenditures		
85 d	N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
85 e	N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		
85 f	N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
85 g	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
85 h	N/A		
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12		
86 a	N/A		
b	Gross receipts, included on line 12, for public use of club facilities		
86 b	N/A		
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders		
87 a	N/A		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		
87 b	N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX		X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ 0. ; section 4912 ▶ 0. ; section 4955 ▶ 0.		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction		X
89 b			
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ 0.		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶ 0.		
90 a	List the states with which a copy of this return is filed ▶ NY		
b	Number of employees employed in the pay period that includes March 12, 2005 (See instructions.)	90 b	438
91 a	The books are in care of ▶ Manhattan School of Music Telephone number ▶ 917-493-4563 Located at ▶ 120 Claremont Ave., New York NY ZIP + 4 ▶ 10027		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If 'Yes,' enter the name of the foreign country ▶	91 b	X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Statements		
c	At any time during the calendar year, did the organization maintain an office outside of the United States? If 'Yes,' enter the name of the foreign country ▶	91 c	X
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92	N/A	▶ <input type="checkbox"/>

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a Tuition & Fees					19,875,776.
b					
c					
d					
e					
f Medicare/Medicaid payments.					
g Fees & contracts from government agencies.					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			3	80,632.	
96 Dividends & interest from securities			14	459,562.	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	1,020,851.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory			3	36,788.	
103 Other revenue: a					
b Dormitory			3	5,607,043.	
c Investment income			3	248,912.	
d Library, recording st			3	80,147.	
e					
104 Subtotal (add columns (B), (D), and (E))				7,533,935.	19,875,776.
105 Total (add line 104, columns (B), (D), and (E)).					27,409,711.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	Tuition and Fees funding Institutional Programs

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

- a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here:
 Signature of officer: Patricia Zumaran Date: 1/8/07
 Type or print name and title: PATRICIA ZUMARAN, CONTROLLER

Paid Preparer's Use Only

Preparer's signature: _____ Date: _____ Check if self-employed: Preparer's SSN or PTIN (See General Instruction W): _____

Firm's name (or yours if self-employed), address, and ZIP + 4: MANHATTAN SCHOOL OF MUSIC
120 CLAREMONT AVE RM 115
NEW YORK, NY 10027-4689 EIN: _____ Phone no: (917) 493-4563

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

**Organization Exempt Under
Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information — (See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

OMB No 1545-0047

2005

Name of the organization

Manhattan School of Music

Employer identification number

13-1656667

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions. List each one. If there are none, enter 'None.')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
See Statement 4		626,708.	57,252.	0.
Total number of other employees paid over \$50,000	▶	33		

Part II - A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions. List each one (whether individuals or firms). If there are none, enter 'None.')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Manatt, Phelps & Phillip 7 Times Square New York, NY 10036	Legal	81,694.
KPMP, LLP 345 Park Ave New York, NY 10011	Auditors	99,482.
Total number of others receiving over \$50,000 for professional services	▶	0

Part II - B Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter 'None.' See instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Consolidated Edison JAF Bldg. PO Box 1701 New York, NY 10116	Utilities	938,176.
Oxford Health Plans PO Box 10275 Newark, NJ 07193	Health Insurance	613,779.
Vanquard Construction & Development 307 W. 38th St. New York, NY 10018	Construction	634,458.
Protection Plus Security Consulting 535 8th Ave. New York, NY 10018	Security Service	391,862.
Ryder Construction Inc. 119 W. 40th St. 5th Fl New York, NY 10018	Construction	1,084,646.
Total number of other contractors receiving over \$50,000 for other services	▶	27

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990 and Form 990-EZ.

Schedule A (Form 990 or 990-EZ) 2005

Part III Statements About Activities (See instructions.)

Table with 3 columns: Question, Yes, No. Contains questions 1 through 4b regarding lobbying, organizational activities, and donor services.

Part IV Reason for Non-Private Foundation Status (See instructions.)

The organization is not a private foundation because it is: (Please check only ONE applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 X A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the Support Schedule in Part IV-A.)
11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
12 An organization that normally receives: (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions - subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the Support Schedule in Part IV-A.)
13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). Check the box that describes the type of supporting organization: Type 1 Type 2 Type 3

Provide the following information about the supported organizations. (See instructions.)

Table with 2 columns: (a) Name(s) of supported organization(s), (b) Line number from above.

14 An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	N/A				
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc. purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975					
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
23 Total of lines 15 through 22					
24 Line 23 minus line 17					
25 Enter 1% of line 23					
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24	N/A				26a
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c
d Add: Amounts from column (e) for lines: 18 _____ 19 _____					26d
22 _____ 26b _____					26d
e Public support (line 26c minus line 26d total)					26e
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f %
27 Organizations described on line 12: N/A					
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year:					
(2004) _____ (2003) _____ (2002) _____ (2001) _____					
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:					
(2004) _____ (2003) _____ (2002) _____ (2001) _____					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____					27c
17 _____ 20 _____ 21 _____					27c
d Add: Line 27a total _____ and line 27b total _____					27d
e Public support (line 27c total minus line 27d total)					27e
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e)					27f
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h %
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.	N/A				

Part V Private School Questionnaire (See instructions.)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	X	
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	X	
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If 'Yes,' please describe; if 'No,' please explain. (If you need more space, attach a separate statement.) ----- ----- -----	X	
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	X	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	X	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	X	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered 'No' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----	X	
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?		X
b	Admissions policies?		X
c	Employment of faculty or administrative staff?		X
d	Scholarships or other financial assistance?		X
e	Educational policies?		X
f	Use of facilities?		X
g	Athletic programs?		X
h	Other extracurricular activities? If you answered 'Yes' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- ----- -----		X
34a	Does the organization receive any financial aid or assistance from a governmental agency?	X	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered 'Yes' to either 34a or b, please explain using an attached statement.		X
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev Proc 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If 'No,' attach an explanation.	X	

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions.)
(To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked 'a' and 'limited control' provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term 'expenditures' means amounts paid or incurred.)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table —		
	If the amount on line 40 is —		
	Not over \$500,000		
	Over \$500,000 but not over \$1,000,000		
	Over \$1,000,000 but not over \$1,500,000		
	Over \$1,500,000 but not over \$17,000,000		
	Over \$17,000,000		
	The lobbying nontaxable amount is —		
	20% of the amount on line 40		
	\$100,000 plus 15% of the excess over \$500,000		
	\$175,000 plus 10% of the excess over \$1,000,000		
	\$225,000 plus 5% of the excess over \$1,500,000		
	\$1,000,000		
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	
Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.			

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45	Lobbying nontaxable amount				
46	Lobbying ceiling amount (150% of line 45(e))				
47	Total lobbying expenditures				
48	Grassroots non-taxable amount				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures				

Part VI-B Lobbying Activity by Nonelecting Public Charities (See instructions.)
(For reporting only by organizations that did not complete Part VI-A)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h.)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (add lines c through h.)			

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities.

MANHATTAN SCHOOL OF MUSIC

FED.ID: 13-1656667

YEAR 2005

FORM 990, PART 1, LINE 1C

GOVERNMENT GRANTS

80,392

119,317

180,554

\$ 380,263

FORM 990, PART 1, LINE 8D

NET CAPITAL GAINS

SECURITIES & BONDS

Auda	292,962
U.S. Trust	15
S. Bernstein	365,278
Dodge & Cox	5,084
S. Barney	<u>357,513</u>

\$ 1,020,851

FORM 990, PART 1, LINE 10C

Books/Music	23,395
Clothing, gifts, supplies, food, sundries	<u>13,393</u>

36,788

FORM 990, PART 1, LINE 20

Unrealized capital gains	2004	933,153
--------------------------	------	---------

Unrealized capital gains	2005	<u>1,008,893</u>
--------------------------	------	------------------

Change in unrealized gains		<u><u>75,740</u></u>
-----------------------------------	--	----------------------

Swap rate	2004	3,716,436
-----------	------	-----------

Swap rate	2005	<u>1,669,874</u>
-----------	------	------------------

Change in value of interest rate swap		<u><u>2,046,562</u></u>
--	--	-------------------------

Cumulative effect of change in accounting principle (asset retire FIN47)		<u><u>(907,500)</u></u>
---	--	-------------------------

1,214,802

Client MSM

Manhattan School of Music

13-1656667

12/18/06

01:13PM

**Statement 4
Schedule A, Part I
Compensation of Five Highest Paid Employees**

<u>Name and Address</u>	<u>Title & Average Hours Worked</u>	<u>Compen- sation</u>	<u>Contributio EBP & DC</u>	<u>Expense Account</u>
Neil Rosenshein 120 Claremont Ave New York, NY 10027	Teacher 35	135,464.	13,404.	0.
Gary Dial 120 Claremont Ave New York, NY 10027	Teacher 35	127,912.	12,492.	0.
Nina Svetlana 120 Claremont Ave New York, NY 10027	Teacher 35	127,650.	6,828.	0.
Maitland Peters 120 Claremont Ave New York, NY 10027	Teacher 35	117,841.	12,132.	0.
Marc Silverman 120 Claremont Ave New York, NY 10027	Teacher 35	117,841.	12,396.	0.
	Total	<u>\$ 626,708.</u>	<u>\$ 57,252.</u>	<u>\$ 0.</u>

Client MSM

Manhattan School of Music

13-1656667

1/04/07

12:33PM

Statement 1
Form 990, Part I, Line 20
Other Changes in Net Assets or Fund Balances

Asset retirement	\$ -907,500.
Change in Swap Interest	2,046,562.
Change in Unrealized Capital Gains.	75,740.
Total	\$ <u>1,214,802.</u>

Statement 2
Form 990, Part II, Line 43
Other Expenses

	(A) Total	(B) Program Services	(C) Management & General	(D) Fundraising
Cafeteria	38,291.	38,291.		
Campus store	54,900.	54,900.		
Credit cards/payroll fees, etc	201,157.		201,157.	
Dormitory	3,497,304.	3,497,304.		
Entertainment/dues/advertising	257,692.		207,279.	50,413.
Insurance	335,291.		335,291.	
Investment expenses	180,139.		180,139.	
Total	\$ <u>4,564,774.</u>	\$ <u>3,590,495.</u>	\$ <u>923,866.</u>	\$ <u>50,413.</u>

Statement 3
Form 990, Part IV, Line 54
Investments - Securities

<u>Other Publicly Traded Securities</u>	<u>Valuation Method</u>	<u>Amount</u>
Bonds	Market Value	\$ 1,258,305.
Equity Securities	Market Value	8,816,713.
Alternative Investments	Market Value	2,631,988.

Total \$ 12,707,006.

Total Investments - Securities \$ 12,707,006.

Statement 4
Form 990, Part IV, Line 57
Land, Buildings, and Equipment

<u>Category</u>	<u>Basis</u>	<u>Accum. Deprec.</u>	<u>Book Value</u>
Furniture and Fixtures	\$ 1,682,888.	\$ 1,042,842.	\$ 640,046.
Machinery and Equipment	2,772,066.	1,404,529.	1,367,537.
Buildings	64,721,510.	9,743,300.	54,978,210.
Land	1,240,000.		1,240,000.

Client MSM

Manhattan School of Music

13-1656667

1/04/07

12:33PM

Statement 4 (continued)
Form 990, Part IV, Line 57
Land, Buildings, and Equipment

Category	Basis	Accum. Deprec.	Book Value
Miscellaneous	\$ 1,070,489.	\$ 412,109.	\$ 658,380.
Total	<u>\$ 71,486,953.</u>	<u>\$ 12,602,780.</u>	<u>\$ 58,884,173.</u>

Statement 5
Form 990, Part IV, Line 58
Other Assets

Construction in Progress	\$ 3,115,229.
Deposits with Trustees	3,748,203.
Net Intangible Assets	1,676,517.
Total	<u>\$ 8,539,949.</u>

Statement 6
Form 990, Part IV, Line 64b
Mortgages and Other Notes Payable

Other Notes Payable

Lender's Name:	Morgan Stanley	
Purpose of Loan:	Swap Int	
Balance Due:		\$ 1,669,874.
Total		<u>\$ 1,669,874.</u>

Statement 7
Form 990, Part IV, Line 65
Other Liabilities

Asset Retirement	\$ 907,500.
Due Perkins	528,990.
Total	<u>\$ 1,436,490.</u>

Statement 8
Form 990, Part IV-A, Line b(4)
Other Amounts

10B-Campus store Cost of Goods	\$ 135,614.
Total	<u>\$ 135,614.</u>

1/04/07

12:33PM

Statement 9
Form 990, Part IV-B, Line b(4)
Other Amounts

10B-Campus store Cost of goods

Total \$ 135,614.
Total \$ 135,614.

MANHATTAN SCHOOL OF MUSIC

FED.ID: 13-1656667

YEAR 2005

FORM 990, PART 11, LINE 42

Depreciation and Amortization Expense for:

Buildings	1,786,701
Equipment and Capital Leases	147,735
Furniture & Fixtures	139,007
Musical Instruments and audio	100,566
Library Books and Music	79,843

\$ 2,253,852

MANHATTAN SCHOOL OF MUSIC

FED.ID# 13-1656667

YEAR 2005

FROM 990, PART IV, LINE 51C

Perkins Loan Program Receivable	659,114
	<u>659,114</u>

FORM 990, PART IV, LINE 54

U. S. Government Securities	
Corporate Bonds	1,258,305
Stocks	8,816,713
Alternative Investment	2,631,988
	<u>12,707,006</u>

FORM 990, PART IV, LINE 57B

Land	1,240,000
Buildings	64,721,510
Furniture and equipment	1,682,888
Musical instruments and audio equipment	2,772,066
Library books, music and art works	1,070,489
Construction in progress	3,115,229

74,602,182

Less: Accumulated depreciation	(12,602,780)
	<u>61,999,402</u>

Dorm Issuance Costs	1,916,022
---------------------	-----------

Less: Accumulated amortization	(239,505)
	<u>1,676,517</u>

Total investment in Plant	<u>63,675,919</u>
---------------------------	-------------------

FORM 990, PART IV, LINE 64A

Year ending June 30:	
2007	960,000
2008	1,015,000
2009	1,070,000
2010	1,130,000
Thereafter	41,545,000
	<u>45,720,000</u>

FORM 990, PART IV, LINE 64B

Bond Swap Interest Liability (see attached)	<u>1,669,874</u>
--	------------------

FORM 990, PART IV, LINE 65

Due Perkins Loans	528,990
Due Asset retirement(FIN 47)	907,500
	<u>1,436,490</u>

Manhattan School of Music

FED. ID: 13-1656667

YEAR 2005

FORM 990, PART V

LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

NAME	ADDRESS	Column B TITLE	Col.B Av. Hrs	Column C COMPENSATION	Column D Cont. to Emp.Ben.Plans & Def. Comp.
Richard Adams	120 Claremont Ave, New York, N Y. 10027	VP of Faculty	35	\$ 123,000	\$ 13,440.00
Alan M Ades	120 Claremont Ave, New York, N.Y 10027	Trustee		0	
Ms Carla Bossi-Cornelli	120 Claremont Ave, New York, N Y 10027	Trustee		0	
Nancy Behrman	120 Claremont Ave, New York, N Y 10027	Trustee		0	
Harold Chumaceiro	120 Claremont Ave, New York, N Y 10027	Trustee		0	
Susan Ebersole	120 Claremont Ave, New York, N.Y. 10027	VP of External Affairs	35	\$ 165,000	\$ 3,600.00
David Geber	120 Claremont Ave, New York, N Y. 10027	Dir -Dean of Performance	35	\$ 100,000	\$ 11,600.00
Frank Graupe	120 Claremont Ave, New York, N Y. 10027	Dir Of Facilities	35	\$ 90,000	\$ 10,800.00
Constance Keene	120 Claremont Ave, New York, N Y 10027	Trustee		0	
Paul D. Kelleher	120 Claremont Ave, New York, N Y 10027	Chief Fin. Off	35	\$ 150,000	\$ 3,600.00
Edward Lowenthal	120 Claremont Ave, New York, N Y 10027	Treasurer		0	
Carol Matos	120 Claremont Ave, New York, N Y. 10027	Dir.of H.R & Admin	35	\$ 105,000	\$ 12,000.00
William R. Miller	120 Claremont Ave, New York, N.Y 10027	Trustee		0	
Hon Richard Owen	120 Claremont Ave, New York, N Y 10027	Trustee		0	
Joanne Polk	120 Claremont Ave, New York, N Y 10027	Dir Of Precollege	35	\$ 77,000	\$ 9,760.00
David A Rahm, Esq.	120 Claremont Ave, New York, N Y 10027	Chairman		0	
Robert G Simon	120 Claremont Ave, New York, N Y 10027	Secretary		0	
Robert Sirota	120 Claremont Ave, New York, N Y. 10027	President	35	\$ 290,000	\$ 3,600.00

Note: No expense accounts and other allowances

MANHATTAN SCHOOL OF MUSIC							
NET CAPITAL GAINS SCHEDULE							
7/05-8/08							
AC/#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	GAIN/LOSS	TOTALS
AUDA	10/18-19/05	AUDA LIQ TO BARNEY					
	10/31/2005	AUDA LIQ TO BARNEY	18,366.812	2,300,000.00	2,592,962.34	292,962.34	292,962.34
					2,592,962.34		
	8/22/2005	Cashier's check			14.55	14.55	14.55
					14.55		
Bernstein							
109	7/21/2005	Safeway Inc	800	12,274.18	14,438.60	2,164.42	
	7/25/2005	National City Corp	400	11,281.35	14,987.20	3,705.85	
	7/26/2005	Conocophillips	900	18,011.67	55,554.39	37,542.72	43,411.01
	8/12/2005	Tellabs Inc	3,400	35,808.72	31,552.00	(4,256.72)	(4,256.72)
	9/2/2005	Norfolk Southern Corp	850	13,104.39	30,682.88	17,578.50	
	9/8/2005	Hewlett Packard	400	5,504.01	11,118.00	5,613.99	
	9/26/2005	Occidental Petroleum	100	2,908.89	8,663.97	5,755.08	
	9/26/2005	Occidental Petroleum	200	5,826.35	17,327.94	11,501.59	40,447.16
	10/7/2005	Martin Marietta Materials	125	6,730.28	9,510.49	2,780.23	
	10/21/2005	Avnet Corp	600	15,347.60	13,899.24	(1,448.36)	
	10/24/2005	Nortel Networks	1,800	1,432.98	5,522.24	4,089.28	
	10/24/2005	Nortel Networks	2,300	1,889.91	7,938.22	6,048.31	
	10/25/2005	Supervalu	775	12,473.18	23,667.57	11,194.41	
	10/28/2005	Medcohealth Solutions	275	8,841.37	15,329.55	6,488.18	29,152.05
	11/15/2005	Martin Marietta Materials	125	6,730.27	9,077.58	2,347.31	
	11/21/2005	Occidental Petroleum	175	5,088.05	13,256.15	8,168.10	10,505.41
	12/20/2005	Merck	200	5,993.44	6,384.00	390.56	
	12/20/2005	Intel	250	8,213.12	6,462.50	(1,750.62)	
	12/20/2005	Merrill Lynch	275	18,063.10	18,939.99	876.89	
	12/20/2005	Enscor Intl	350	13,188.17	16,317.00	3,128.83	
	12/20/2005	Unilever	75	4,974.33	5,131.08	156.75	
	12/20/2005	Target Corp	150	7,620.18	8,083.88	463.70	
	12/20/2005	Target Corp	300	15,550.70	16,167.75	617.05	
	12/20/2005	Boeing	100	5,329.15	7,081.00	1,751.85	
	12/20/2005	XL Capital LTD	200	14,683.48	13,190.88	(1,492.60)	
	12/20/2005	Jones Apparel Group	425	14,932.75	12,888.00	(2,044.75)	
	12/20/2005	Chevron Corp	100	4,681.17	5,691.32	1,010.15	
	12/20/2005	XL Capital LTD	175	12,198.28	11,542.00	(656.28)	
	12/20/2005	Unilever	50	3,402.77	3,420.72	17.95	
	12/20/2005	Goldman Sach	150	14,072.73	18,856.50	4,783.77	
	12/20/2005	Time Warner	800	10,370.28	10,632.00	261.72	
	12/20/2005	Microsoft	500	12,742.90	13,410.00	667.10	
	12/20/2005	Textron	75	3,994.81	5,840.88	1,846.07	
	12/20/2005	Textron	450	23,988.87	35,045.15	11,056.28	
	12/20/2005	Time Warner	500	8,498.77	8,860.00	361.23	
	12/20/2005	Suntrust	300	21,139.23	22,182.84	1,043.61	
	12/20/2005	Proctor & Gamble	125	6,439.50	7,295.00	855.50	
	12/20/2005	Hartford Financial	150	9,399.15	12,891.00	3,491.85	
	12/20/2005	General Electric	500	18,645.08	17,746.25	(898.83)	
	12/20/2005	Occidental Petroleum	175	7,599.15	14,498.37	6,899.22	
	12/20/2005	Chevron Corp	300	12,773.72	17,073.98	4,300.26	
	12/20/2005	BP Amoco	500	24,587.93	32,515.00	7,927.07	
	12/20/2005	Citigroup	450	21,298.27	22,158.00	859.73	
	12/20/2005	General Electric	700	21,793.81	24,844.75	3,050.94	
	12/20/2005	Citigroup	200	9,173.68	9,848.00	674.32	
	12/20/2005	Safeway Inc	250	4,997.43	6,202.50	1,205.07	
	12/20/2005	Safeway Inc	500	10,282.39	12,405.00	2,122.61	
	12/20/2005	Merrill	225	6,428.88	11,099.25	4,670.37	
	12/20/2005	Flextronics	1,200	12,622.40	13,104.00	481.60	
	12/20/2005	Comcast Corp	400	11,803.17	10,515.40	(1,287.77)	
	12/20/2005	Partners Holdings	500	25,304.65	31,991.05	6,686.40	
	12/20/2005	Hewlett Packard	400	5,504.02	11,536.00	6,031.98	
	12/20/2005	Constellation Energy	200	5,042.14	11,773.72	6,731.58	
	12/20/2005	Entergy Corp	350	15,082.91	24,573.50	9,490.59	
	12/20/2005	Occidental Petroleum	25	728.30	2,071.19	1,342.89	
	12/20/2005	Magna Intl	100	6,463.04	6,917.00	453.96	
	12/20/2005	Cooper Ind	175	7,254.62	12,808.25	5,553.63	
	12/20/2005	Tellabs Inc	1,000	10,531.98	10,460.00	(71.98)	
	12/20/2005	American Electric	750	31,565.51	27,837.90	(3,727.61)	
	12/20/2005	Lehman Bros	175	11,527.81	22,456.18	10,928.37	
	12/20/2005	Wachovia	200	5,991.75	10,674.00	4,682.25	
	12/20/2005	Tech Data	225	7,916.67	9,105.75	1,189.08	
	12/20/2005	Supervalu	325	5,230.89	10,545.73	5,314.84	
	12/20/2005	Norfolk Southern Corp	250	3,854.23	10,707.50	6,853.27	
	12/20/2005	Smurfit-Stone	1,100	15,363.77	14,148.00	(1,215.77)	
	12/20/2005	Wisconsin energy	300	7,817.48	11,751.87	3,934.39	
	12/20/2005	Conocophillips	250	5,028.75	14,747.50	9,718.75	
	12/20/2005	Conocophillips	175	3,518.72	10,323.25	6,804.53	
	12/20/2005	Tech Data	100	2,397.27	4,047.00	1,649.73	
	12/20/2005	Avnet Corp	400	10,231.74	9,460.00	(771.74)	
	12/20/2005	Altria Group	300	8,917.18	22,704.00	13,786.82	
	12/20/2005	Hewlett Packard	500	6,880.02	14,665.15	7,785.13	166,030.55
	2/17/2006	Intel	400	9,941.00	8,412.00	(1,529.00)	
	2/27/2006	ADC Telecommunications	342	6,058.30	8,989.68	2,931.38	1,402.38
	3/2/2006	Medcohealth Solutions	425	13,683.94	25,209.77	11,525.83	
	3/10/2006	Hewlett Packard	200	2,752.01	6,607.40	3,855.39	15,401.22
	4/6/2006	Textron	100	5,326.41	9,210.42	3,884.01	
	4/18/2006	Unilever	125	6,290.57	8,590.49	2,299.92	
	4/27/2006	BP Amoco	100	4,917.58	7,363.52	2,445.94	
	4/27/2006	BP Amoco	250	12,449.81	18,408.80	5,958.99	12,568.85
	5/8/2006	Merck	500	14,983.80	17,200.05	2,216.25	
	5/10/2006	Tellabs Inc	400	4,212.79	6,456.00	2,243.21	
	5/17/2006	Kroger	350	6,491.94	6,980.19	488.25	
	5/30/2006	Interpublic Group of COS	900	12,257.91	8,377.74	(3,880.17)	
	5/31/2006	Office Depot	350	6,557.00	14,521.05	7,964.05	9,031.79
	6/6/2006	Intel	150	3,727.88	2,878.10	(849.78)	
	6/6/2006	Intel	450	10,391.78	8,034.30	(2,357.48)	
	6/15/2006	Cooper Tire & Rubber	900	17,258.08	9,982.48	(7,275.60)	
	6/20/2006	Genworth Financial	325	10,039.77	11,045.97	1,006.20	
	6/21/2006	Altria Group	145	4,309.86	10,438.55	6,128.69	
	6/21/2006	Bank of Amer	300	8,784.48	14,217.00	5,432.52	
	6/21/2006	Wachovia	200	5,991.75	10,859.00	4,867.25	
	6/21/2006	Wachovia	50	1,497.93	2,681.97	1,184.04	
	6/21/2006	Cooper Ind	75	2,782.12	6,393.00	3,610.88	
	6/21/2006	Magna Intl	100	6,463.04	7,179.13	716.09	
	6/21/2006	Entergy Corp	225	9,896.16	15,808.97	6,112.81	
	6/21/2006	Constellation Energy	100	2,521.07	5,443.00	2,921.93	
	6/21/2006	Hewlett Packard	550	7,566.03	18,834.00	11,267.97	
	6/21/2006	Comcast Corp	175	5,183.89	5,680.85	496.96	
	6/21/2006	Flextronics	350	3,885.87	3,710.00	(175.87)	
	6/21/2006	Flextronics	200	2,103.74	2,120.00	16.26	
	6/21/2006	Citigroup	150	7,099.42	7,270.50	171.08	
	6/21/2006	PepsiCo	125	5,992.24	7,481.50	1,489.26	
	6/21/2006	Occidental Petroleum	85	2,822.54	6,157.45	3,334.91	
	6/21/2006	Hartford Financial	150	9,399.16	12,403.18	3,004.02	
	6/21/2006	Eli Lilly	100	5,337.07	5,482.00	144.93	
	6/21/2006	Northrop	150	8,679.18	9,438.20	759.02	41,564.01
					1,375,352.71		365,277.71

MANHATTAN SCHOOL OF MUSIC							
NET CAPITAL GAINS SCHEDULE							
7/05-6/06							
AC#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	GAIN/LOSS	TOTALS
Dodge & Cox						5,083.87	5,083.87
Smith Barney							
15617							
	7/15/2005	Bank One corp Sub Notes	175 000	188 730 50	175 000 00	(13,730 50)	(13,730 50)
matured	9/14/2005	General Electric Corp	182 000	179 160 80	179 160 80	0 00	0 00
matured	10/7/2005	Citigroup Global Markets	1 800 000	1 775,787 50	1 775 787 50	0 00	0 00
matured	12/15/2005	American General Finance	175 000	188,121 50	175 000 00	(13 121 50)	
matured	12/19/2005	Countryside Financial	175 000	175,882 50	175,000 00	(882 50)	(13,804 00)
matured	1/26/2006	Citigroup Funding	1 107 000	1 096 840 20	1 096 840 20	0 00	0 00
matured	2/3/2006	Paccor Financial	1 108 000	1 096 787 04	1 096 787 04	0 00	0 00
redemption	3/30/2006	Bear Stearns	175 000	178,122 00	175,000 00	(3 122 00)	
matured	3/23/2006	US Treasury	380 000	376,777 60	376 777 60	0 00	(3,122.00)
redemption	5/2/2006	SBC Communications	175 000	189 092 75	175 000 00	(14 092 75)	
matured	5/18/2006	US Treasury	1 300 000	1 273,185 33	1 273,185 33	0 00	(14,092.75)
15618							
	8/31/2005	Johnson & Johnson	82	5 142 22	5 162 42	20 20	
	8/1/2005	Spirinaker Exploration	5,000	195 950 00	197,483 74	1 533 74	
	8/1/2005	Tarax Corp	4,802	225 501 92	245 127 81	19,625 89	
	8/5/2005	Tribune Corp	695	25 381 40	25 354 48	(26 92)	21,152.91
	8/2/2005				0 00	14 55	14 55
	12/13/2005	General Electric	30	1 057 85	1 057 85	0 00	0 00
	5/19/2006	Exxon Mobile	8	496 00	491 88	(4 14)	(4.14)
15637							
	7/7/2005	Burlington Coat Factory	30	580 80	1,276 86	696 06	696 06
	8/25/2005	Commercial Federal Corp	80	2 090 40	2,716 11	625 71	
	8/23/2005	Shurgard Storage	60	2 229 60	3,243 87	1 014 07	
	8/28/2005	York Int' Corp	55	2 132 50	3,132 17	999 67	2,639 45
	8/2/2005	Goldcorp Inc	135	1,483 49	2 540 44	1 056 95	
	9/15/2005	Hudson United	70	2 320 03	2 982 15	662 12	1,899 07
	10/12-25/05	Teleflex	45	2 120 05	2 892 47	872 42	
	10/12 27/05	W&T Offshore Inc	60	1,276 62	1,833 52	556 90	1,229.32
	11/3-14/05	Perrigo Co	125	2,180 90	1 771 45	(389 45)	
	11/18/2005	World Fuel Svcs Corp	70	1 020 95	2 487 81	1 466 86	1,077.21
	12/29-30/05	Arch Coal	45	1,262 25	3 569 44	2 307 19	
	12/8/2005	Bob Evans Farms	10	288 81	237 88	(50 73)	
	12/12-18/05	Caseys General Stores	130	2,051 59	3 212 62	1 161 03	
	12/8-20/05	Universal Forest	30	807 78	1 717 48	909 68	
	12/14/2005	World Fuel Svcs Corp	15	218 78	548 81	330 03	4,557.20
	1/28/2006	Arch Coal	15	420 75	1,219 83	799 18	
	1/19/2006	Bob Evans Farms	60	1 795 02	1 433 55	(361 47)	
	1/27/2006	CBRL Group	30	1 158 27	1 320 75	162 48	
	1/18-27/06	Cubic Group	55	1 036 28	1,215 88	179 60	779 79
	2/10/2006	CBRL Group	35	1 343 79	1 514 58	170 77	
	2/9/2006	Cubic Group	25	471 04	537 78	66 72	
	2/10/2006	World Fuel Svcs Corp	15	218 78	490 05	271 27	508 76
	3/1/2006	Cubic Group	40	753 68	860 19	106 53	
	3/18/2006	World Fuel Svcs Corp	25	364 62	805 43	440 81	547.34
	4/17 26/06	Intrawest Corp New	125	2,239 24	4 331 61	2 092 37	
	4/18-27/06	IPSCO Inc Cad	80	2 396 69	8 663 37	6 266 68	8,359 05
stk split	4/6(2/14)06	Pottlatch Corp	40	0 00	0 00	1 713 80	
stk split	4/6(10/29/03)	Ship Finance Intl	1	0 00	0 00	(7 88)	1,705 92
	5/3/2006	Valmont Ind	70	1,390 20	3 921 28	2 531 08	2,531 08
15657							
fr 11/04	7/31/2005	Banco/merger			0 00	1,416 16	1,416 16
	7/13/2005	Telefonica	1	31 99	36 43	4 44	4 44
merger	7/1/2005	Intercontinental Hotels	1,198		3 418 72	3 418 72	3,418.72
merger	8/25/2005	National Grid Transco	571		3 066 81	3 066 81	
	8/10/2005	National Grid Transco	1	30 85	33 58	2 93	3,069 74
	9/13-15/05	Bayerische Hypo	821	18 017 75	23,512 83	5 495 18	
	9/12/2005	Intercontinental Hotels	394	5 422 48	5,288 39	(134 07)	5,381 11
	11/3/2005	Intercontinental Hotels	483	6 914 18	6,292 69	(621 49)	
	11/17 21/05	PoSCO Spon Adr	54	1 580 58	2,779 13	1,198 55	577 06
	1/25-31/2006	Coles Myer Ltd	202	11 894 52	12 582 80	688 28	
	1/17/2006	Matsushita Elec	452	8 049 30	9 884 59	3,815 29	
	1/26-27/2006	PoSCO Spon Adr	225	9,069 93	12 584 50	3,494 57	
	1/19/2006	Rio Tinto	46	4,436 20	9,204 13	4,767 93	12,766 07
	2/2/2006	Coles Myer Ltd	8	349 50	373 49	23 99	
	2/3-8/06	Endesa SA	597	10,439 24	17 601 95	7 162 71	7,186 70
	3/31/2006	Rio Tinto	47	4,532 63	9 613 66	5 081 03	5,081 03
	5/3-5/06	BG Group	87	2 044 34	6 113 14	4 068 80	
	5/1/2006	Matsushita Elec	289	3 867 80	6 962 97	3 095 17	
	5/3-4/06	Rio Tinto	34	3 278 93	7 898 87	4 619 94	11,783 91
	6/22/2006	Arkema Sponsored AD	22	811 92	810 87	(9 05)	
	6/18/2006	Matsushita Elec	585	7 891 73	11,763 98	3 872 25	
	6/18/2006	Sasol Ltd	66	853 64	2,375 26	1 521 62	5,592.82
15658							
	7/12/2005	Int'l Business Machines	315	30,951 04	25 157 27	(5,793 77)	
	7/27/2005	Zebra Technologies	521	26,656.23	20 051 51	(6,604 72)	(12,398.49)
	8/9/2005	Best Buy	1	27 18	24 83	(2 35)	
	8/30/2005	Electronic Arts	471	23,075.23	26,902 30	3,827 07	3,824 72
	9/20-21/05	Syco Corp	438	14,528 48	14 059 47	(468 99)	
	9/20/2005	Wal-Mart stores	321	18,778 50	14 092 69	(4 685 81)	(5,154 80)
	11/1/2005	Amgen Inc	18	984.21	1,201 33	237 12	
	11/1/2005	Bed Bath & Beyonds	29	1,061 41	1 166 86	105 45	
	11/1/2005	Genzyme	27	1,628 49	1 927 59	299 10	
	11/1/2005	Intuitive Surgical Inc	5	357 86	432 72	74 86	
	11/1/2005	Iron Mtn Inc	22	635 78	879 72	243 94	940.61
	12/8/2005	Genentech	146	7 042 59	14 400 74	7 358 15	7,358.15
	1/8/2006	Amgen Inc	188	11,272.48	14 680 84	3 408 36	
	1/25/2006	Best Buy	146	5 528 46	7 068 27	1 561 81	
	1/8/2006	Home Depot	218	8 105.24	8 800 14	694 90	
	1/25/2006	McGraw Hill	180	8,977 00	8 949 05	(28 95)	
	1/8/2006	Target	183	8 098 66	9 938 93	1 840 27	9,477.39
	2/1 27/06	Fiserv	891	32,414 54	38 135 71	5 721 17	
	2/24/2006	Intel	1,326	38,277 86	26 998 25	(11,279 61)	(5,558.44)
	3/14-15/06	Johnson & Johnson	710	40,435 41	42 092 83	1,657 42	
	3/17/2006	McGraw Hill	247	8,578 05	14,398 56	4 820 51	6,477 83
	4/4/2006	Emerson Electric	183	9 101 92	13,533 70	4 431 78	
	4/27/2006	Starbucks Corp	429	9 781 28	15,865 35	6 084 09	
	4/7/2006	Walmart	253	14,800 50	11,823 17	(3 177 33)	7,338.54
	5/18/2006	AFLAC Inc	956	36,267 84	44 921 06	8 653 12	
	5/18/2006	Abbott Labs	892	41,482 87	41,781 75	298 88	
	5/18/2006	Amgen Inc	650	38 960 62	43,971 28	5 010 66	
	5/12-18/06	Apache Corp	784	34 750 29	51,372 24	16 621 95	
	5/17-18/06	BJ Services	1 325	48,103 21	48 327 23	(1 775 98)	
	5/18/2006	Best Buy	1,100	39 847 87	58,430 20	18,782 33	
	5/18/2006	Capital One	352	29 335 21	29 750 12	414 91	
	5/18/2006	Caremax RX	883	19 888 41	43 391 13	23 502 72	
	5/18/2006	Cisco Sys	1,971	39,410 61	40,345 13	934 52	

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7/05-8/06

AC/#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	GAIN/LOSS	TOTALS
	5/18/2006	Citigroup	975	42,996.94	47,773.53	4,776.59	
	5/18/2006	Coming	1,124	27,624.77	27,586.18	(38.61)	
	5/18/2006	Dell	1,444	53,921.37	34,813.77	(19,107.60)	
	5/17/2006	Ebay Inc	1,262	45,398.31	37,251.32	(8,146.99)	
	5/18/2006	Emerson Electric	691	42,906.04	56,508.24	13,602.20	
	5/17-18/06	Exxon Mobile	964	53,397.86	58,344.03	4,946.17	
	5/18/2006	Genentech	788	45,171.45	60,787.37	15,615.92	
	5/18/2006	General Electric	1,854	55,096.31	63,933.23	8,836.92	
	5/17/2006	Home Depot	946	35,404.75	35,581.18	176.43	
	5/18/2006	ITT Ind	530	28,431.96	28,613.82	181.86	
	5/18/2006	Illinois Tool	667	57,483.59	66,998.09	9,514.50	
	5/18/2006	Kohls Corp	490	28,069.60	28,184.33	114.73	
	5/18/2006	Maxim Integrated	984	42,960.33	32,028.41	(10,931.92)	
	5/18/2006	McGraw Hill	495	19,877.88	25,971.85	6,093.97	
	5/18/2006	Medtronic Inc	1,232	58,439.34	60,945.18	2,505.82	
	5/18/2006	Microsoft Corp	1,943	52,982.68	44,784.77	(8,197.91)	
	5/18/2006	Novartis AG ADR	729	37,985.40	41,617.33	3,631.93	
	5/18/2006	Pfizer	697	27,746.67	26,847.81	(898.86)	
	5/18/2006	PepsiCo Inc	788	39,606.59	46,553.35	6,946.76	
	5/18/2006	Praxair	806	33,811.74	43,982.06	10,170.32	
	5/18/2006	Proctor & Gamble	1,019	53,163.39	56,440.67	3,277.28	
	5/18/2006	Qualcomm	972	46,563.23	45,595.99	(967.24)	
	5/18/2006	Staples	1,992	36,509.75	49,360.84	12,851.09	
	5/18/2006	Starbucks Corp	961	24,366.17	34,941.07	10,574.90	
	5/18/2006	Symantec	1,520	29,393.61	24,790.43	(4,603.18)	
	5/18/2006	Sysco Corp	1,127	38,716.48	34,665.45	(4,051.03)	
	5/18/2006	Target	881	42,737.58	42,806.47	68.89	
	5/12-18/06	Teva Pharmaceutical	1,859	52,723.52	70,690.53	17,967.01	
	5/18/2006	UPS	505	37,451.15	40,489.65	3,038.50	
	5/18/2006	Wal-Mart	498	26,629.05	23,445.12	(3,183.93)	
	5/18/2006	Walgreen	942	34,344.99	38,074.47	3,729.48	
	5/18/2006	Wells Fargo	745	42,548.71	49,183.39	6,634.68	
	5/18/2006	Yahoo	899	27,870.62	26,546.65	(1,323.97)	
	5/18/2006	Zimmer Holdings	647	52,794.55	40,196.87	(12,597.68)	143,869.76
	8/24/2005	Cisco Sys Inc	2,740	52,800.36	48,471.31	(4,329.05)	(4,329.05)
	9/7/2005	Medtronic Inc	10	503.22	571.82	68.60	68.60
	10/17/2005	Capital One Finance	495	38,254.00	38,092.70	(161.30)	(161.30)
	12/28/2005	Genentech	6	245.87	558.87	313.00	
	12/22/2005	Kohls Corp	625	30,896.50	29,168.48	(1,728.02)	(1,415.02)
	1/12/2006	Genentech	252	10,318.14	22,016.81	11,698.67	11,698.67
	2/18/2006	Dell	870	31,224.24	27,734.31	(3,489.93)	
	2/18/2006	Genentech	30	1,228.35	2,531.58	1,303.23	
	2/18/2006	Starbucks	89	1,392.40	3,163.85	1,771.45	(415.27)
	5/11/2006	Allergan	3	214.84	285.07	70.23	
	5/2/2006	Amgen	654	39,281.58	43,151.36	3,869.80	
	5/11-12/06	Apollo	14	1,286.49	738.02	(548.47)	
	5/12/2006	Bed Bath	19	708.51	702.13	(6.38)	
	5/2/2006	Capital One Finance	460	33,690.58	39,103.39	5,412.81	
	5/11/2006	Chicago	2	544.38	948.88	404.50	
	5/1/2006	Dell	1,065	39,078.50	27,426.95	(11,651.55)	
	5/11/2006	Genzyme	29	1,749.11	1,618.72	(130.39)	
	5/12/2006	Lowe's	29	1,496.53	1,823.35	326.82	
	5/1/2006	Medtronic Inc	429	21,588.31	21,450.28	(138.03)	
	5/12/2006	Moody's	27	1,093.40	1,550.09	456.69	
	5/11-12/06	Qualcomm	32	1,091.27	1,577.21	485.94	
	5/12/2006	Red Hat	5	53.42	147.28	93.86	
	5/12/2006	Starbucks	12	187.74	430.17	242.43	
	5/12/2006	Teva Pharmaceuticals	58	1,875.87	2,160.71	284.84	(826.92)
	6/14/2006	Abraxis BioScience	48	2,033.13	1,132.85	(900.28)	
	6/14/2006	Allergan	75	5,370.98	7,544.63	2,173.65	
	6/14/2006	America Movil	128	4,859.10	3,609.80	(1,249.30)	
	6/14/2006	Apollo	179	14,731.20	9,380.99	(5,350.21)	
	6/14/2006	Apple	71	5,025.46	4,087.40	(938.06)	
	6/14/2006	Bed Bath	117	4,362.93	4,085.83	(277.10)	
	6/14/2006	Chicago	25	8,804.69	11,077.35	2,272.66	
	6/14/2006	Ebay	454	12,861.82	13,995.62	1,133.80	
	6/14/2006	Genentech	193	7,902.39	15,218.87	7,316.48	
	6/14/2006	Genzyme	170	10,253.43	10,419.00	165.57	
	6/14/2006	Google	57	10,999.04	22,029.72	11,030.68	
	6/14/2006	Intercontinental Exchange	35	2,433.50	1,597.03	(836.47)	
	6/14/2006	Inuitive Surgical	34	2,433.48	3,578.30	1,144.82	
	6/14/2006	Iron Mtn	58	1,878.09	2,017.23	149.14	
	6/14/2006	Lowe's	198	10,114.46	12,139.41	2,024.95	
	6/14/2006	Medtronic Inc	98	4,830.95	4,870.98	40.03	
	6/14/2006	Moody's	151	6,114.97	7,567.99	1,453.02	
	6/14/2006	Patterson	122	6,147.02	4,196.65	(1,950.37)	
	6/14/2006	Qualcomm	277	9,446.29	11,892.26	2,445.97	
	6/14/2006	Red Hat	242	2,585.38	6,111.42	3,526.04	
	6/14/2006	Schlumberger	107	7,724.82	5,997.72	(1,727.10)	
	6/14/2006	Starbucks	603	9,433.94	21,298.20	11,864.26	
	6/14/2006	Stryker	98	4,775.05	4,294.39	(480.66)	
	6/14/2006	Teva Pharmaceuticals	285	9,217.64	10,281.85	1,064.21	
	6/14/2006	Varian	92	5,503.97	4,088.91	(1,415.06)	
	6/14/2006	Walgreen	227	7,949.54	9,728.94	1,779.40	
	6/14/2006	Yahoo	198	7,832.31	5,883.18	(1,949.13)	
	6/14/2006	Zimmer	76	5,820.67	4,962.28	(858.39)	33,914.55
15660							
	7/22/2005	Alza Corp Comb	32,000	25,791.50	28,198.22	2,406.72	
	7/8/2005	Chesapeake Energy	8	666.01	943.48	277.45	2,882.17
	8/4/2005	Carnival Corp	27,000	38,868.82	38,157.32	(711.50)	
	8/4/2005	Reebok	32,000	34,775.68	36,080.00	1,304.32	592.82
	10/6/2005	Chesapeake Energy	134	16,917.92	28,067.93	11,150.01	11,150.01
	11/29/2005	XL Capital	654	21,313.24	18,933.06	(2,380.18)	
	11/3/2005	Flextronics	32,000	35,416.82	27,578.64	(7,838.18)	
	11/4/2005	Omnicare	200	10,669.26	14,333.40	3,664.14	
	11/10/2005	Schlumberger Ltd	32,000	31,894.38	39,732.48	7,838.10	1,282.08
	1/31/2006	Hartford Finl Svcs	181	11,759.28	13,257.84	1,498.56	
	1/31/2006	Health Mgmt	32,000	35,042.92	32,020.00	(3,022.92)	
	1/17/2006	Omnicare	244	13,184.05	18,306.75	5,122.70	
	1/12-26/06	Teva Pharmaceutical	32,000	32,425.00	39,661.28	7,236.28	10,834.62
	2/22/2006	Cypress Semiconductors	33,000	33,492.31	40,423.68	6,931.37	
	2/2/2006	Tyco Intl	21,000	28,306.59	25,454.31	(2,852.28)	
	2/14/2006	Visay	32,000	35,664.50	32,320.32	(3,344.18)	
	2/14/2006	WEBMD	38,000	35,065.38	32,232.38	(2,833.00)	(2,098.11)
	3/28/2006	Cooper Cameron	9,000	9,410.29	12,105.90	2,695.61	
	3/7/2006	Diamond Offshore	22,000	24,690.00	35,482.68	10,792.68	
	3/30/2006	Interpublic Group of Comp	428	22,413.22	15,719.85	(6,693.37)	6,775.02
	4/13/2006	Allergan Inc	23,000	21,578.98	26,668.25	5,089.27	
	4/27/2006	Lucent Technologies	22,000	22,652.50	22,137.50	(515.00)	4,578.27
	5/23/2006	Franklin Resources	32,000	30,478.52	28,503.62	(1,974.90)	
	5/19/2006	Lamar Adv	21,000	22,877.60	25,635.75	2,758.15	
	5/2/2006	Schering	838	34,600.49	32,582.93	(2,017.56)	(3,232.31)
	6/15/2006	Carnival Corp	49,000	35,071.66	31,340.55	(3,731.11)	(3,731.11)
15661							

MANHATTAN SCHOOL OF MUSIC
NET CAPITAL GAINS SCHEDULE

AC#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	GAIN/LOSS	TOTALS
	7/13/2005	Amegy Bancorporation	178	3,289.68	3,958.53	668.85	
	7/28/2005	Avocent Corp	32	1,183.79	1,119.53	(64.26)	
	7/14/2005	Education Management	44	1,156.71	1,518.36	361.65	
	7/29/2005	Kronos Inc	44	1,485.44	2,067.32	581.88	
	7/29/2005	Macrovision Corp	94	1,752.14	2,044.41	292.27	
	7/27/2005	Molecular Devices	15	284.10	310.79	26.69	
	7/14 21/05	Performance Food Group	186	3,641.41	4,680.87	1,239.46	
	7/28/2005	Serena Software	21	335.87	425.68	90.01	
	7/29/2005	Stericycle	62	2,659.18	3,597.71	938.53	4,155.08
	8/1/2005	Avocent Corp	38	1,258.14	1,261.53	3.39	
	8/29/2005	Celaput Comm Corp	137	1,701.26	2,156.38	455.12	
	8/1/2005	Edwards Lifesciences	78	2,744.97	3,573.16	828.19	
	8/12/2005	Heritage Homes	62	1,885.27	4,873.99	3,008.72	
	8/31/2005	Ruby Tuesday	55	1,496.90	1,213.46	(283.44)	
	8/1-12/05	Serena Software	288	4,718.24	5,578.58	860.34	4,876.32
	9/28-29/05	Altiris Inc	159	3,978.82	2,381.43	(1,597.39)	
	9/9-12/05	Gamco Investors	81	3,148.83	4,107.50	958.67	
	9/14/2005	Liners N Things	179	5,999.45	5,002.43	(997.02)	
	9/1-2/05	Rare Hospitality	148	3,436.84	3,651.13	214.29	(1,419.25)
	10/17/2005	Advanced Neuromodulation	128	3,508.22	7,787.64	4,279.42	
	10/7 10/05	Altiris Inc	182	4,039.48	2,912.54	(1,126.94)	
	10/14/2005	FTI Consulting	180	3,348.51	4,512.09	1,163.58	
	10/13/2005	Fair Isaac	117	3,971.54	4,818.53	846.99	
	10/13/2005	Interall	185	3,051.19	3,723.24	672.05	5,835.10
	11/3-25/05	Benchmark	207	6,809.15	6,179.34	(629.81)	
	11/3-7/05	Connetics Corp	186	3,420.16	2,247.82	(1,172.34)	
	11/14-15/05	Ideox Labs	30	1,771.83	2,119.37	347.54	
	11/21 29/05	Inamed Corp	48	2,078.88	3,979.47	1,900.49	
	11/14/2005	Jeffries Group	35	1,051.37	1,614.52	563.15	
	11/14/2005	Monaco Coach	140	3,362.80	2,036.08	(1,326.72)	
	11/1-4/2005	Nabi Pharmaceuticals	394	4,835.19	1,540.42	(3,294.77)	(3,611.46)
	12/18/2005	Animas Corp	241	4,096.49	5,788.18	1,691.67	
	12/12/2005	Fred's Inc	34	536.21	578.31	42.10	
	12/7-8/05	Ideox Labs	58	3,484.55	4,077.39	612.84	
	12/2/2005	Inamed Corp	49	2,414.78	4,121.48	1,706.72	
	12/8/2005	Tractor Supply CO	38	1,632.78	2,153.40	520.62	4,573.95
	1/17/2006	Agile Software	924	6,043.11	5,648.60	(394.51)	
	1/18/2006	Amsurg Corp	253	6,158.78	5,595.24	(563.54)	
	1/18-19/06	Andrew Corp	464	5,200.57	5,250.34	49.77	
	1/8/2006	Apria Healthcare	197	6,321.81	4,799.52	(1,522.29)	
	1/11-19/06	Cal Dive Int'l	182	1,856.40	7,742.60	5,886.20	
	1/9/2006	Entravision Communications	579	5,104.33	4,064.80	(1,039.53)	
	1/11-12/06	Fossil Inc	310	7,339.78	6,935.70	(404.08)	
	1/19-23/06	Fred's Inc	294	5,094.09	4,331.34	(762.75)	
	1/10/2006	Gentex Corp	278	4,630.00	5,597.41	967.41	
	1/30/2006	Jacobs Engineering	188	7,300.34	15,258.81	7,958.47	
	1/20/2006	Macrovision Corp	565	10,859.35	9,025.60	(1,833.75)	
	1/4-11/06	Photon Dynamics	343	6,305.90	6,256.65	(49.25)	
	1/30/2006	Western Gas	145	3,935.30	6,838.40	2,903.10	11,393.27
	2/1-15/06	Affiliated Managers	41	1,942.29	3,754.78	1,812.49	
	2/18/2006	Jefferies Group	1	30.04	53.68	23.62	
	2/3/2006	Littlefuse	239	7,884.28	6,629.05	(1,255.23)	
	2/8/2006	Neustar	210	6,029.30	6,278.67	249.37	
	2/1/2006	Petco Animal	351	10,185.20	7,523.30	(2,661.90)	(1,611.65)
	3/3-29/06	Affiliated Managers	69	3,268.72	6,984.04	3,715.32	
	3/18-31/06	Faro Technologies	376	5,884.17	5,123.83	(760.34)	
	3/3-18/06	Flannet Corp	213	3,974.11	5,583.33	1,589.22	
	3/23-29/06	Financial Fed	88	1,947.05	2,552.81	605.76	
	3/3/2006	Jack Henry	375	7,114.48	8,284.35	1,169.87	
	3/3/2006	Infomartica	375	2,687.98	6,176.51	3,488.53	
	3/13-31/06	Jefferies Group	58	1,742.28	3,365.58	1,623.32	
	3/3/2006	Luna Gate	740	6,230.82	6,970.06	739.24	
	3/15/2006	Valuevision	407	6,605.81	4,924.54	(1,681.27)	
	3/10-28/06	Watts	121	3,843.85	4,209.77	365.92	
	3/3/2006	Zebra Technologies	191	7,202.64	8,355.65	1,153.01	12,008.80
	4/4/2006	Education Management	241	6,810.83	9,973.74	3,162.91	
	4/18/2006	Factsat Research Systems	140	3,690.07	6,075.82	2,385.75	
	4/10/2006	Fair Isaac	144	4,688.83	5,731.67	1,042.84	
	4/5-8/06	Faro Technologies	24	375.59	331.10	(44.49)	
	4/11/2006	Forest Oil Corp	170	3,688.56	6,521.42	2,832.86	
	4/5/2006	Investors First	140	4,828.28	6,632.99	1,804.71	
	4/3-4/06	Jefferies Group	27	811.05	1,578.01	766.96	
	4/5/2006	Mariner Energy	137	1,853.84	2,685.11	831.27	
	4/26/2006	Safenet	13	440.99	268.72	(172.27)	
	4/25-26/06	Serologicals	433	9,243.08	13,463.20	4,220.12	
	4/7/2006	Strayer Education	48	3,918.95	4,840.83	921.88	
	4/10-11/06	Sunopta Inc Cad	778	4,979.90	6,310.75	1,330.85	
	4/18/2006	Varian	104	3,897.80	4,195.23	297.43	19,381.02
	5/15/2006	Cameron Intl	174	3,750.70	6,640.08	2,889.38	
	5/9/2006	FTI Consulting	239	4,384.80	6,568.81	2,184.01	
	5/9/2006	Illumina	152	2,246.38	4,414.48	2,168.08	
	5/9/2006	Kronos Inc	131	4,829.70	5,731.07	901.37	
	5/9/2006	Ruby Tuesday	178	4,639.35	5,389.17	749.82	
	5/5-19/06	Safenet	327	10,822.24	5,822.90	(4,999.34)	
	5/9/2006	Shuffle Master	78	2,133.89	2,869.67	735.78	
	5/9/2006	Stericycle	105	4,652.53	6,819.54	2,167.01	
	5/9/2006	Winnipeg	153	4,430.97	4,499.94	68.97	8,765.08
	6/13-14/06	THQ Inc	172	3,998.71	3,384.83	(613.88)	
	6/13-28/06	WebSense	238	7,441.07	5,063.98	(2,377.09)	(2,668.97)
15862							
	11/29/2005	Albritton Communications	20,000	20,750.00	20,025.00	(725.00)	
	11/29/2005	B&G Foods	15,000	15,993.75	15,187.50	(806.25)	
	11/29/2005	Cinemark USA	15,000	16,950.00	15,787.50	(1,162.50)	
	11/29/2005	Constellation Brands	15,000	16,125.00	15,526.50	(598.50)	
	11/29/2005	Corr Corp of America	10,000	10,600.00	10,375.00	(225.00)	
	11/29/2005	Del Monte Corp	15,000	16,275.00	15,751.50	(523.50)	
	11/29/2005	Domino's Inc	15,000	16,106.25	15,526.50	(579.75)	
	11/29/2005	Elizabeth Arden	15,000	16,050.00	14,868.75	(1,181.25)	
	11/29/2005	Emms Operating	15,000	15,375.00	14,778.50	(596.50)	
	11/29/2005	Encore Acquisition	15,000	15,000.00	14,100.00	(900.00)	
	11/29/2005	Ferriflex Partners	15,000	16,331.25	14,632.50	(1,698.75)	
	11/29/2005	General Motors	15,000	14,732.70	13,785.00	(947.70)	
	11/29/2005	Graphic Package Intl	15,000	16,782.50	13,987.50	(2,795.00)	
	11/29/2005	Grey Communications	15,000	16,687.50	16,050.00	(637.50)	
	11/29/2005	Isle of Capri Casino	15,000	15,450.00	14,700.00	(750.00)	
	11/29/2005	Jefferson Smurfit	15,000	16,200.00	13,912.50	(2,287.50)	
	11/29/2005	L-3 Communications	15,000	16,312.50	15,712.50	(600.00)	
	11/29/2005	Lamar Media Corp	15,000	15,975.00	15,451.50	(523.50)	
	11/29/2005	MGM Grand	15,000	16,950.00	15,975.00	(975.00)	
	11/29/2005	Peabody	15,000	16,200.00	15,412.50	(787.50)	
	11/29/2005	Plains E&P Co	15,000	16,537.50	15,450.00	(1,087.50)	
	11/29/2005	Radio One	10,000	11,125.00	10,551.00	(574.00)	
	11/29/2005	Reznord Corp	15,000	16,931.25	15,975.00	(956.25)	
	11/29/2005	Rogers Wireless	10,000	12,125.00	11,351.00	(774.00)	
	11/15/2005	Scotts Co	15,000	15,843.75	15,151.50	(692.25)	
	11/29/2005	Service Corp	15,000	16,050.00	15,751.50	(298.50)	
	11/29/2005	Silgan Holdings	15,000	15,637.50	14,868.75	(768.75)	

MANHATTAN SCHOOL OF MUSIC
NET CAPITAL GAINS SCHEDULE
7/05-8/06

AC#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	GAIN/LOSS	TOTALS
	11/28/2005	Teekey Shipping	15 000	16 943 75	16 957 50	13 75	
	11/29/2005	Triad Hospa	15 000	15 412 50	14 825 00	(487 50)	(24,907 70)
	12/1/2005	Public Storage	1,000	25 170 00	22 449 08	(2 720 94)	(2,720 94)
18082							
	7/5/2005	Baker Hughes	49	2 061 43	2,586 88	525 55	
	7/1 5/2005	Clear Channel	49	1 607 97	1,519 50	(88 47)	
	7/1-8/2005	Mellon Finl Corp	593	17 001 41	17,053 98	52 55	
	7/19-20/2005	Merrill Lynch & CO	380	20 999 79	22,061 28	1 061 49	
	7/19-20/2005	Potash Corp Sask Inc	27	2 035 03	2 822 44	787 41	
	7/11 12/2005	Rohm & Haas Co	204	9 038 82	9 258 79	219 97	
	7/20/2005	Tyco Intl	29	928 12	899 19	(28 93)	
	7/5-8/2006	Wells Fargo	230	13 720 07	14 083 23	363 16	2,824 73
	8/31/2005	Mellon Finl Corp	159	4 374 09	5,094 42	720 33	720.33
	9/18/2005	Baker Hughes	51	2 145 57	3 095 32	949 75	
	9/8/2005	Cigna	39	3 284 48	4 524 54	1 240 06	
	9/12-14/05	Cardinal Health	311	16 878 20	18,785 29	1 919 09	
	9/23/2005	Citigroup	33	1 571 48	1,496 04	(75 42)	
	9/7/2005	JP Morgan	353	13 389 37	12,287 92	(1 121 45)	
	9/12/2005	Newmont Mining	83	3 500 82	3,500 14	(68)	
	9/2-7/05	Tyco Intl	339	10 826 01	9,483 81	(1 362 40)	1,548.97
	10/10-31/05	Cigna	62	5 518 00	7,200 88	1 682 88	
	10/31/2005	Illinois Tool Works	60	5 390 17	5 092 65	(297 52)	
	10/3-31/05	Mellon Finl Corp	215	5 914 65	6 911 66	997 01	
	10/4/2005	Motorola Inc	250	4 254 45	5 681 01	1 406 56	
	10/4 17/05	Praxair	147	6 210 75	6 887 88	657 11	4,445 84
	11/14-22/05	Alcoa	480	13,573 55	12,289 37	(1,284 18)	
	11/15/2005	Exxon	40	2,026 00	2 277 28	251 28	
	11/1 2/05	Illinois Tool Works	98	8,396 17	8,245 57	(150 60)	
	11/2-3/05	Mellon Finl Corp	115	3,163 85	3 647 36	483 71	
	11/2/2005	Motorola Inc	370	8,296 60	8 480 87	2 184 27	
	11/2-3/05	United Parcel	197	13 855 88	14 803 82	747 98	
	11/18-29/05	Xerox	889	13,385 92	14 061 60	675 68	2,888.12
	12/30/2005	EI DU Pont	30	1,407 81	1,278 13	(129 68)	(129 68)
	1/6/2006	CVS	120	2 797 38	3,245 20	447 82	
	1/6-9/06	Deere & CO	244	16 911 33	16 745 79	(165 54)	
	1/3/2006	EI DU Pont	529	25,375 87	22 698 11	(2 677 76)	
	1/4-6/06	EMC Corp	1,380	17 747 39	18 900 13	1 152 74	
	1/8/2006	Emerson	9	601 74	687 13	85 39	
	1/24/2006	Merck	230	7 067 90	7 545 23	477 33	
	1/5/2006	Motorola Inc	290	4 665 02	6 817 98	2 152 96	
	1/4/2006	Parker-Hannifin	17	1 228 55	1 181 81	(46 74)	
	1/27-30/06	Potash Corp Sask Inc	52	4 060 93	4 684 01	623 08	
	1/8/2006	Schering Plough	441	9 109 91	9 058 14	(51 77)	1,977.31
	2/23-24/06	CBS	193	5 525 85	4 887 17	(638 68)	
	2/8-14/06	Walt Disney	1 001	27 387 28	26 820 64	(566 64)	
	2/1 7 06	HJ Heinz	372	13 589 14	12 847 66	(741 48)	
	2/28/2006	Schlumberger	35	2 241 75	4,025 32	1 783 57	
	2/15/2006	Sprint Nextel	111	2 629 50	2 878 92	249 42	
	2/23/2006	Viacom Inc	193	8 417 75	7 915 34	(502 41)	(836.22)
	3/24/2006	Deere & CO	78	4 894 40	5 935 45	1 041 05	
	3/28-31/06	Newell Rubbermaid	185	4 237 08	4 701 67	464 59	
	3/20/2006	Pfizer	111	2,813 85	2 935 85	122 00	
	3/1/2006	Schlumberger	22	1,409 10	2,563 05	1 153 95	
	3/31/2006	Union Pacific	42	2,820 38	3 908 89	1 288 51	
	3/21/2006	Verizon	138	5 037 18	4 893 82	(143 36)	3,724.56
	4/17-18/06	Hartford Finl Svcs	185	13 746 73	15,138 64	1 391 91	
	4/3-5/06	Motorola Inc	146	2,289 28	3 407 83	1 118 55	
	4/3-5/06	Newell Rubbermaid	285	6 195 09	7,283 65	1 088 56	
	4/18-19/06	Nike	122	9 588 83	9 880 85	292 02	
	4/7 19/06	Potash Corp Sask Inc	63	7 015 99	7,503 03	487 04	
	4/13-17/06	Wachovia Corp	130	6 603 08	7,215 81	612 75	5,080.83
	5/8/2006	Bellsouth	59	1 583 00	2 001 08	408 08	
	5/19-23/06	CVS	412	10 305 80	11,900 39	1,594 59	
	5/1-26/06	Microsoft	799	20,348 08	19 009 83	(1,338 25)	
	5/3/2006	Motorola Inc	395	6 193 60	8 660 07	2 466 47	3,130.87
	6/14-23/06	XL Capital	38	2,350 53	2 222 24	(128 29)	
	6/14-23/06	At&T	54	2,515 85	2 484 00	(31 85)	
	6/14-23/06	AT&T	199	4,847 84	5 413 93	566 09	
	6/14-23/06	American Intl	65	4,298 45	3 832 88	(465 57)	
	6/14-23/06	ADP	107	4 703 51	4 747 06	43 55	
	6/14-29/06	Baker Hughes	186	8,273 74	14 571 97	6 298 23	
	6/14-23/06	Bank of America	89	3,975 63	4 135 13	159 50	
	6/14-23/06	Bank of New York	124	4 048 80	3 888 55	(160 25)	
	6/14-23/06	Barrick Gold	156	3 786 25	4,245 89	449 64	
	6/14-23/06	Baxter Intl	92	3 153 78	3,457 25	303 47	
	6/14-23/06	Bellsouth	78	2 051 95	2,683 20	631 25	
	6/14-23/06	Boston Scientific	178	4 113 10	3,351 70	(761 40)	
	6/14-23/06	Campbell Soup	112	3 428 32	3,945 27	516 95	
	6/14-23/06	Citigroup	101	4 809 82	4,809 20	(62 62)	
	6/14-23/06	Clorox	45	2 641 65	2 726 11	84 46	
	6/14-23/06	Coca-Cola	57	2,482 88	2,435 97	(46 91)	
	6/14-23/06	Comcast	156	5 121 38	4 987 34	(134 04)	
	6/23/2006	Commerce Bancorp	12	411 12	412 54	1 42	
	6/14-23/06	Deere & CO	40	2 576 00	3 123 04	547 04	
	6/14/2006	Diageo PLC	45	2 879 86	2 990 79	310 93	
	6/14-23/06	Eaton Corp	53	3 648 52	3 752 70	104 18	
	6/14-23/06	EI Paso	141	1 733 83	2 019 48	285 65	
	6/14-23/06	Electronic Data Sys	63	1 479 65	1 499 04	19 39	
	6/8-21/06	Embarq Corp	22	854 25	877 79	23 54	
	6/14-23/06	Emerson	54	3 810 44	4 382 07	571 63	
	6/14-23/06	Exxon	242	12 257 30	14 043 58	1 786 28	
	6/14-23/06	Federal National	45	2 423 17	2 118 77	(304 40)	
	6/14-23/06	General Dynamics	31	1 690 21	1 886 09	295 88	
	6/14-23/06	General Electric	174	6 128 54	5 852 98	(275 56)	
	6/14-23/06	General Mills	28	1 186 50	1,335 33	148 83	
	6/14-23/06	GlaxoSmith	81	4 040 38	4,390 42	350 04	
	6/14-23/06	Hewlett Packard	105	2 114 68	3,213 49	1,098 81	
	6/14-23/06	Honeywell	48	1 875 05	1,752 13	(122 92)	
	6/14-23/06	International Paper	156	6 398 00	4 858 97	(1,539 03)	
	6/14-23/06	JP Morgan	182	6 744 75	7 810 90	1,066 15	
	6/14-23/06	Johnson & Johnson	37	2,267 58	2,283 18	15 60	
	6/14-23/06	Kimberly Clark	41	2 807 19	2 489 22	(317 97)	
	6/14-23/06	Kraft	183	6,262 26	5 643 28	(618 98)	
	6/14-23/06	Kroger	224	3 710 08	4 444 21	734 15	
	6/14-23/06	Medimmune	21	497 14	599 89	102 75	
	6/14-23/06	Medtronic	48	2 481 52	2 403 80	(77 72)	
	6/14-23/06	Merck	74	2 394 08	2 487 05	92 97	
	6/14-21/06	Microsoft	248	6,831 51	5 636 94	(1,194 57)	
	6/14-23/06	Monsanto	19	1,039 49	1 461 54	422 05	
	6/14-23/06	Motorola Inc	118	1,818 88	2 319 50	500 62	
	6/14-23/06	Newmont Mining	81	3 416 13	3 942 88	526 75	
	6/14-23/06	Novartis	103	4 834 42	5 377 07	442 65	
	6/14-23/06	PG & E	98	3 726 93	3 802 25	75 32	
	6/14-23/06	Parker-Hannifin	53	3,715 08	3 827 44	112 36	
	6/14-23/06	PepsiCo	68	3 587 00	4 008 77	421 77	
	6/14-23/06	Pfizer	257	6 645 82	5 894 82	(751 00)	
	6/14-23/06	Praxair	48	2,110 25	2,478 85	368 60	

MANHATTAN SCHOOL OF MUSIC								
NET CAPITAL GAINS SCHEDULE								
7/05-6/06								
AC/#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	GAIN/LOSS		TOTALS
	6/14-23/06	Proctor & Gamble	170	8,387.87	9,305.48	917.61		
	6/14-23/06	Progress Energy	53	2,327.23	2,248.68	(80.55)		
	6/14-23/06	Raytheon	71	2,791.68	3,070.46	278.78		
	6/14-23/06	Sanoil-Aventis	27	1,228.14	1,228.54	0.40		
	6/14-23/06	Schering Plough	116	2,400.04	2,198.12	(203.92)		
	6/14-23/06	Schlumberger	101	3,332.55	5,703.84	2,371.29		
	6/14/2006	Southern	74	2,520.19	2,378.97	(143.22)		
	6/14-23/06	Sprint Nextel	71	1,526.54	1,426.11	(100.43)		
	6/14-23/06	Sun Microsystems	435	1,913.71	1,839.26	(74.45)		
	6/14-23/06	Tribune	88	3,829.12	2,788.27	(840.85)		
	6/14-23/06	Union Pacific	27	1,684.53	2,384.87	680.44		
	6/14-23/06	Verizon	124	4,582.70	3,942.07	(650.63)		
	6/14-23/06	Wal-Mart	79	3,528.96	3,759.36	230.40		
	6/14-23/06	Waste Mgmt	104	3,062.80	3,589.90	527.10		
	6/14-23/06	Wyeth	148	8,205.64	6,430.87	(225.23)	16,166.12	357,513.50
					12,383,011.08			
		TOTALS OF ALL PORTFOLIOS			16,351,340.66			1,020,851.97
		ROLLFORWARDS			16,351,340.66			1,020,829.68
					(0.00)			22.29
		G/L						1,020,850.62
								1.35
		Aude						292,962.34
		US Trust						14.55
		Bernstein						365,277.71
		Dodge & Cox						5,083.87
		Smith Barney						357,513.50
		Total						1,020,851.97



MANHATTAN SCHOOL OF MUSIC

Financial Statements

June 30, 2006

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Manhattan School of Music:

We have audited the accompanying statement of financial position of Manhattan School of Music (the School) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the School's 2005 financial statements and in our report dated October 14, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manhattan School of Music as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 9 to the financial statements, in 2006 the School adopted the provisions of Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*.

KPMG LLP

November 3, 2006

MANHATTAN SCHOOL OF MUSIC

Statement of Financial Position

June 30, 2006

(with comparative financial information
as of June 30, 2005)

Assets	2006	2005
Cash and cash equivalents	\$ 7,265,727	3,984,521
Contributions receivable, net (note 3)	2,520,302	3,122,747
Prepaid expenses and other assets	156,860	231,884
Student loans receivable	659,114	641,477
Deposits with bond trustee (note 6)	3,748,203	4,212,889
Investments (note 2)	12,707,006	15,231,917
Deferred bond issue costs, net	1,676,517	1,724,418
Property, plant, and equipment, net (note 4)	61,999,402	60,837,431
Total assets	<u>\$ 90,733,131</u>	<u>89,987,284</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,291,983	1,110,249
Unearned tuition and fees	1,026,452	911,705
U.S. government grants refundable	528,990	525,703
Interest-rate swap liability (note 7)	1,669,874	3,716,436
Bonds payable (note 6)	45,720,000	46,635,000
Asset retirement obligation (note 9)	907,500	—
Total liabilities	<u>51,144,799</u>	<u>52,899,093</u>
Net assets:		
Unrestricted	23,132,138	21,152,224
Temporarily restricted (note 8)	3,207,627	2,984,156
Permanently restricted (note 8)	13,248,567	12,951,811
Total net assets	<u>39,588,332</u>	<u>37,088,191</u>
Total liabilities and net assets	<u>\$ 90,733,131</u>	<u>89,987,284</u>

See accompanying notes to financial statements.

MANHATTAN SCHOOL OF MUSIC

Statement of Activities

Year ended June 30, 2006
(with summarized financial information
for the year ended June 30, 2005)

	2006			2005 Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Operating activities				
Revenues				
Student tuition and fees, net of scholarship allowance of \$5,312,397 and \$4,936,069 in 2006 and 2005, respectively	\$ 19,875,776	—	—	19,875,776
Contributions and grants	1,175,205	204,373	—	1,379,578
Investment return (note 2)	1,376,014	—	—	1,376,014
Government grants	380,263	—	—	380,263
Investment income on deposit with trustee (note 6)	248,912	—	—	248,912
Auxiliary services	5,859,592	—	—	5,859,592
Other revenue	80,632	—	—	80,632
Net assets released from restrictions	(19,098)	19,098	—	—
Total operating revenues	28,977,296	223,471	—	29,200,767
Expenses:				
Program services				
Instruction	11,018,075	—	—	11,018,075
Academic support	3,764,324	—	—	3,764,324
Student services	2,819,804	—	—	2,819,804
Auxiliary services	6,672,462	—	—	6,672,462
Total program services	24,274,665	—	—	24,274,665
Supporting services				
General and administrative	3,359,587	—	—	3,359,587
Fund-raising	502,192	—	—	502,192
Total supporting services	3,861,779	—	—	3,861,779
Total expenses	28,136,444	—	—	28,136,444
Excess of revenues over expenses	840,852	223,471	—	1,064,323
Nonoperating activities:				
Contributions restricted for endowment	—	—	296,756	296,756
Change in value of interest-rate swap (note 7)	2,046,562	—	—	2,046,562
Change in net assets before cumulative effect of change in accounting principle	2,887,414	223,471	296,756	3,407,641
Cumulative effect of change in accounting principle (note 9)	(907,500)	—	—	(907,500)
Change in net assets	1,979,914	223,471	296,756	2,500,141
Net assets, beginning of year	21,152,224	2,984,156	12,951,811	37,088,191
Net assets, end of year	\$ 23,132,138	3,207,627	13,248,567	39,588,332

See accompanying notes to financial statements

MANHATTAN SCHOOL OF MUSIC

Statement of Cash Flows

Year ended June 30, 2006

(with comparative financial information
for the year ended June 30, 2005)

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 2,500,141	1,764,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cumulative effect of change in accounting for asset retirement obligation	907,500	—
Contributions restricted for endowment	(296,756)	(694,124)
Contributions of equity securities	(32,085)	(77,757)
Depreciation and amortization	2,253,852	2,136,190
Net appreciation in fair value of investments	(1,096,591)	(505,172)
Change in value of interest-rate swap	(2,046,562)	(194,561)
Changes in assets and liabilities:		
Decrease in contributions receivable, net	734,406	89,577
Decrease (increase) in prepaid expenses and other assets	75,024	(24,929)
(Decrease) increase in accounts payable and accrued expenses	(487,120)	505,911
Increase in unearned tuition and fees	114,747	119,654
Net cash provided by operating activities	2,626,556	3,119,290
Cash flows from investing activities:		
Increase in payable for construction	668,854	—
Purchases of property, plant, and equipment	(3,367,922)	(874,278)
Student loans granted	(117,225)	(114,125)
Student loans repaid	99,588	66,167
Purchases of investments	(12,277,386)	(9,463,338)
Proceeds from sales of investments	15,930,973	8,818,587
Net cash provided by (used in) investing activities	936,882	(1,566,987)
Cash flows from financing activities:		
Contributions restricted for endowment	296,756	694,124
Increase in contributions receivable related to endowment	(131,961)	—
Increase in U.S. government grants refundable	3,287	7,449
Decrease (increase) in deposits with trustee	464,686	(246,616)
Repayment of bonds payable	(915,000)	(820,000)
Net cash used in financing activities	(282,232)	(365,043)
Net increase in cash and cash equivalents	3,281,206	1,187,260
Cash and cash equivalents, beginning of year	3,984,521	2,797,261
Cash and cash equivalents, end of year	\$ 7,265,727	3,984,521
Supplemental disclosure of cash flow information:		
Interest paid during the year	\$ 2,411,585	2,487,314

See accompanying notes to financial statements.

MANHATTAN SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2006

(with comparative financial information as of
and for the year ended June 30, 2005)

(1) Organization and Summary of Significant Accounting Policies

Organization

Manhattan School of Music (the School) is a preeminent international conservatory of music granting Bachelor of Music, Master of Music, Doctor of Musical Arts degrees, and postgraduate degree programs. The School, which was founded in 1918, serves more than 800 college students from more than 40 countries, and more than 400 students aged 5-18 in the precollege division, as well as provides a summer music camp to approximately 125 New York City school children in fifth through eighth grades each summer. The School employs an artist-teacher faculty of approximately 275 professional musicians.

Tax Status

The School is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Summary of Significant Accounting Policies

The significant accounting policies followed by the School are described below.

Financial Statement Presentation

The School prepares its financial statements on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the School and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the School, but permit the School to expend all or part of the income derived therefrom.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) except for those restrictions met in the same year as received, which are reported as revenues of the unrestricted net assets, are reported as net assets released from restrictions.

The statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities include contributions restricted for endowment and the change in value of interest-rate swap.

MANHATTAN SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2006

(with comparative financial information as of
and for the year ended June 30, 2005)

Contributions

Contributions, which include unconditional promises to give, are recognized as revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates (ranging from 2.80% to 6.25%) applicable to the years in which the promises are received.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and temporary investments purchased with original maturities of three months or less.

Investments

The School's investments are carried at fair value with realized and unrealized gains and losses reflected in the statement of activities.

Deferred Bond Issue Costs

Costs incurred for issuance of bonds are capitalized and amortized on a straight-line basis over the term of the related bonds.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair value on the date of contribution. Depreciation of assets is computed on the straight-line method over the estimated useful lives of 5 to 40 years.

Unearned Tuition and Fees

The School records unearned tuition and fees related to prepayments of spring and fall session college tuition.

U.S. Government Grants Refundable

The School participates in the Perkins Loan Program (the Program) sponsored by the U.S. Department of Education. Funds provided by the U.S. government under the Program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government and are presented in the accompanying statement of financial position as liabilities.

MANHATTAN SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2006

(with comparative financial information as of
and for the year ended June 30, 2005)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

(2) Investments

The fair value of investments at June 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Bonds	\$ 1,258,305	2,469,838
Equity securities	8,816,713	12,762,079
Alternative investment	2,631,988	—
	<u>\$ 12,707,006</u>	<u>15,231,917</u>

Bonds and equity securities consist of publicly traded marketable securities. Fair values at June 30, 2006 and 2005 are based on published prices. The valuation of the alternative investment is based upon fair value provided by the fund manager, which is reviewed by the School's management for reasonableness.

Investment return for the years ended June 30, 2006 and 2005 consists of the following:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 459,563	378,088
Net appreciation in fair value of investments	1,096,591	505,172
Less investment advisory fees	(180,140)	(117,356)
Investment return	<u>\$ 1,376,014</u>	<u>765,904</u>

MANHATTAN SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2006

(with comparative financial information as of
and for the year ended June 30, 2005)

(3) Contributions Receivable

Contributions receivable are scheduled to be collected as follows at June 30, 2006 and 2005:

	2006	2005
Within one year	\$ 938,333	943,214
In one to five years	1,893,477	1,669,286
In over five years	25,000	981,596
	2,856,810	3,594,096
Discount to present value	(336,508)	(471,349)
Contributions receivable, net	\$ 2,520,302	3,122,747

Approximately 89% and 69% of the contributions receivable at June 30, 2006 and 2005, respectively, are from an individual donor.

(4) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2006 and 2005 consist of the following:

	2006	2005
Land	\$ 1,240,000	1,240,000
Buildings	64,721,510	64,516,448
Furniture and equipment	1,682,888	1,515,859
Musical instruments and audio equipment	2,772,066	2,797,065
Library books, music, and art work (including rare collection items)	1,070,489	1,120,783
Construction in progress	3,115,229	199,490
	74,602,182	71,389,645
Less accumulated depreciation	(12,602,780)	(10,552,214)
	\$ 61,999,402	60,837,431

(5) Pension Plan

The School participates in an immediate vesting, defined contribution pension plan, which covers all full-time employees through the Teachers Insurance and Annuity Association (TIAA). The School's policy is to fund, on a current basis, pension costs accrued under the plan. Total annual costs under the plan for the years ended June 30, 2006 and 2005 amounted to approximately \$580,000 and \$601,000, respectively.

MANHATTAN SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2006

(with comparative financial information as of
and for the year ended June 30, 2005)

(6) Bonds Payable

In July 2000, the School entered into a financial arrangement for \$49,000,000 of variable rate Revenue Bonds, which are due serially through 2029 and issued by the Trust for Cultural Resources of the City of New York (the Trust). The arrangement was entered into to partially fund construction of a mixed-use building primarily for use as a dormitory for the School's students. The School has financed the balance of the construction with available funds of the School. As part of the arrangement, the School was granted a mortgage on the land, building, and certain fixtures and equipment, which were financed by the Revenue Bonds. During 2006, interest rates on the bonds ranged from 0.99% to 3.93%.

In connection with the debt agreements, the School is required to maintain a bond principal fund through 2029. The balances in the bond principal fund are \$3,744,361 and \$4,170,897 at June 30, 2006 and 2005, respectively. Earnings on this fund, which totaled \$248,912 and \$247,673 in 2006 and 2005, respectively, are used to make principal payments. In addition, the School created a development fund, the balances of which at June 30, 2006 and 2005 are \$3,842 and \$41,992, respectively.

The maturities of the bonds payable are as follows:

	<u>Amount</u>
Year ending June 30:	
2007	\$ 960,000
2008	1,015,000
2009	1,070,000
2010	1,130,000
2011	1,190,000
Thereafter	<u>40,355,000</u>
	<u>\$ 45,720,000</u>

Interest expense related to the bonds for fiscal 2006 and 2005 is \$2,242,000 and \$2,272,000, respectively.

(7) Interest-Rate Swap

At June 30, 2006 and 2005, the School had an interest-rate swap contract to pay fixed rate interest (4.85%) and receive variable rates of interest on the contractually established notional amount. The contract expires October 1, 2010. The School is required to pay the difference between the BMA Municipal Swap Index, which is reset weekly, and the fixed rate. The weekly BMA Municipal Swap Index rate was between 0.99% and 3.93% during the period July 1, 2005 to June 30, 2006. The interest-rate swap liability balance of \$1,669,874 and \$3,716,436 at June 30, 2006 and 2005, respectively, is the cost of terminating the swap agreement. The change in fair value of the swap is recorded as a reduction or increase in unrestricted net assets in the statement of activities. In 2006 and 2005, the change in fair value of the swap amounted to an increase in unrestricted net assets of \$2,046,562 and \$194,561, respectively.

MANHATTAN SCHOOL OF MUSIC

Notes to Financial Statements

June 30, 2006

(with comparative financial information as of
and for the year ended June 30, 2005)

(8) Restricted Net Assets

Temporarily restricted net assets of \$3,207,627 and \$2,984,156 are primarily restricted for capital purposes, including construction in progress costs, which will be released from restriction when the asset is placed in to service, at June 30, 2006 and 2005, respectively.

The income from permanently restricted funds is expendable to support the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Educational programs	\$ 683,016	683,016
Scholarships	10,134,263	9,837,507
General operations of the School	<u>2,431,288</u>	<u>2,431,288</u>
	<u>\$ 13,248,567</u>	<u>12,951,811</u>

(9) Asset Retirement Obligation

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*. Under FIN 47, organizations must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. Management has identified asbestos abatement as a conditional asset retirement obligation. Accordingly, in 2006, \$907,500 is reflected as the total asset retirement obligation in the accompanying statement of financial position and is reflected as a cumulative effect of a change in accounting principle in the accompanying statement of activities.